Message Text

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PAGE 01 STATE 105938 ORIGIN AGRE-00

INFO OCT-01 EUR-12 ISO-00 FEA-01 CEA-01 CIAE-00 COME-00 DODE-00 EB-07 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-02 EPG-02 AID-05 SS-15 STR-04 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 /097 R

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APPROVED BY EB/OT/TA:DJDUNFORD
USDA/FAS/ITP:GWHITE
USDA/FAS/FCA:GSINDELAR
STR:BSEASTRUM
EB/OT/TA:TGWESTON
TREASURY:JJOHNSON
EB/FPD:JRICHARDSON
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E.O. 11652: N/A

TAGS: ETRD, CA

SUBJECT: REVISION OF CANADIAN POTATO STANDARDS

REF: OTTAWA 2610

- 1. U.S. AGRICULTURE CONCERNED WITH PROBABLE IMPACT OF PROPOSED NEW REGULATIONS REPORTED REFTEL.
- 2. WE UNDERSTAND PROPOSED REGULATIONS HAVE CLEARED ALL ADMINISTRATIVE HURDLES AT AG CANADA. IF NORMAL PROCEDURES UNCLASSIFIED

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PAGE 02 STATE 105938

FOLLOWED, REGULATIONS ARE LIKELY TO BE IMPOSED EFFECTIVE JULY 1 WITH NO OPPORTUNITY FOR CONSULTATION OR SUBMISSION OF COMMENTS. ACCORDINGLY EMBASSY SHOULD MAKE REPRESENTATION ON THIS ISSUE AT APPROPRIATE LEVELS OF THE GOC AND SUBMIT DIPLOMATIC NOTE CONTAINING FOLLOWING POINTS:

- -- USG WISHES REFER TO PROPOSAL SUBMITTED TO AGRICULTURE CANADA BY CANADIAN HORTICULTURAL COUNCIL WHICH IF IMPLEMENTED WOULD RAISE MINIMUM SIZE REQUIREMENT ON MARKETINGS NO. 1 GRADE, LONG-TYPE, NEW POTATOES FROM 2 INCH DIAMETER TO 2 1/4 INCH DIAMETER FOR AT LEAST 60 PERCENT OF GIVEN LOT WITH 2 INCH MINIMUM FOR BALANCE OF LOT.
- -- USG URGES GOC NOT IMPLEMENT THIS PROPOSAL FOR FOLLOWING REASONS:
- CANADIAN REGULATIONS IN POTATO MARKETINGS ALREADY MORE STRINGENT THAN THOSE OF U.S. WHEREAS CANADA ALLOWS IMPORTS OF NO. 1 GRADE ONLY, U.S. ALSO PERMITS IMPORTS OF NO. 2 GRADE POTATOES
- WHEREAS BOTH COUNTRIES PRESENTLY REQUIRE MARKETINGS OF LONG-TYPE POTATOES TO BE AT LEAST 2 INCHES IN DIAMETER, GOC IMPLEMENTATION OF 2 1/4 INCH MINIMUM BY CANADA WILL FURTHER DISTORT PARITY AND RECIPROCITY IN FREE TRADE BETWEEN OUR COUNTRIES.
- TWO-WAY TRADE IN POTATOES WOULD BE SERIOUSLY DISRUPTED IF PROPOSAL IS IN EFFECT DURING MONTHS OF APRIL THRU JULY WHEN CANADIAN PRODUCTION IS NORMALLY INADEQUATE TO SUPPLY THE DOMESTIC MARKET. MORE THAN 70 PERCENT OF U.S. POTATO EXPORTS TO CANADA OCCUR DURING THESE FOUR MONTHS, WITH ALMOST HALF OF TOTAL EXPORTS OCCURRING IN KEY MONTHS OF JUNE AND JULY. UNCLASSIFIED

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PAGE 03 STATE 105938

AT A TIME WHEN NEGOTIATORS IN GENEVA ARE SEEKING TO REDUCE BARRIERS TO TRADE IN MTN, USG FEELS ANY ACTION THAT WOULD REDUCE TRADE AND INHIBIT SUCCESS OF MTN SHOULD BE DISCOURAGED.

- 3. PLEASE REPORT ON STATUS OF PROPOSAL IN AG CANADA AND NATURE OF GOC RESPONSE OUR NOTE.
- 4. FYI: THIS PROPOSAL IS NOT THE ONLY ATTEMPT TO LIMIT U.S. POTATO EXPORTS TO CANADA. RECENT RECOMMENDATIONS OF THE CANADIAN TARIFF BOARD INCLUDED A SUBSTANTIAL INCREASE IN DUTY ON FRESH POTATOES, PLUS A SURTAX ON QTE DISTRESSED-PRICE UNQTE IMPORTS AND AN ADDITIONAL 5 PERCENT DUTY ON POTATOES IMPORTED IN CONSUMER PACKS. U.S. REACTION TO THE ENTIRE TARIFF BOARD PROPOSAL WILL BE COVERED IN A SEPARATE CABLE. CANADIAN TARIFF ON POTATOES (TARIFF NUMBER 8305-1) IS GATT-BOUND AT 37 1/2 PER 100 POUNDS. END FYI. CHRISTOPHER

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